

Truck Tonnage Grows 4.8% in April

For the last 2-3 weeks, we've heard a mixed message from our shippers and from other carriers regarding freight volumes. Some of our shippers are reporting that business is strong and projections for the next few months look very encouraging. On the other hand, a few have indicated that they seem to be experiencing a minor lull and are hopeful that this lull is not an indicator of things to come. Fortunately for Melton Truck Lines, load offerings have exceeded our capacity and several of the market areas seem to have more consistency now than during the first quarter.

One of the market analysts that we pay close attention to is BB&T Capital Markets as one of their strong suites is looking at the overall picture and not letting short-term immediate circumstances sway their overall outlook. Thus, I thought it appropriate to share their insight with you. My take is that the market hesitation we've seen in the last several days is normal and not reflective of the long-term positive market uptick. With gas prices and commodity pricing moderating while corporate spending is increasing substantially vs last year, the overall outlook remains very positive.

Truck Tonnage Grows 4.8% in April On a Seasonally Adjusted Basis
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April truck tonnage grew 4.8% yr/yr on a seasonally adjusted basis. Given all the noise surrounding freight volumes the past few weeks, especially regarding April and May, we found the latest truck tonnage figure from the American Trucking Association (ATA) encouraging. The ATA just released its advance report for April (final numbers will be out in early June) and it shows that truck tonnage grew 4.8% yr/yr on a seasonally adjusted (SA) basis.

How about versus other months? Versus the month of March, Seasonally Adjusted tonnage declined 0.7%. Since 2001, the average Seasonally Adjusted change from March to April has been 0.2%, but that doesn't tell the whole story. Out of those 11 years, including 2011, the April Seasonally Adjusted tonnage has declined 6 times.

On an Not Seasonally Adjusted basis , truck tonnage declined 8% versus March, but grew 2% yr/yr, which is consistent with the 11-year average of 2.2%. While the sequential decline was greater than the 11-year average decline of 3.5%, that is also misleading. **NSA tonnage has declined sequentially (April versus March) 8 of those 11 years.**

April freight flows and volumes were undoubtedly impacted by the **horrific tornados from April 25 to 28** , a factor that will impact volumes once May results are reported. Flooding in the central and south central states has also been an adverse factor.

We are comfortable with how freight volumes are unfolding. Load boards have shown improvement the past 7 to 10 days, not necessarily better or worse than normal, but in sync with

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historical seasonal patterns. After two years of violating seasonal patterns (2009 on the way down and 2010 on the way back up), a return to traditional seasonality is welcome, overdue and totally normal. Gas prices and commodity prices are in the early stages of moderating, while corporate capital spending growth of 16% to 20% (according to all surveys we have examined) in 2011 is up sharply from 5.4% during 2010.



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